

Message Text

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PAGE 01 BONN 08737 111719Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01
/092 W

-----072336 120426Z /21

R 111706Z MAY 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8452
DEPARTMENT TREASURY
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY BRUSSELS

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USEEC, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS CEA AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCE MINISTRY BUREAUCRATS WANT NO
BUDGET BOOST FOR 1979

1. EMBASSY ECONOFF MET WITH OFFICE DIRECTOR IN CHARGE
OF BUDGET PREPARATION AND HIS ASSISTANT ON MAY 11
TO DISCUSS GENERAL FRG BUDGETARY ISSUES. CONVERSATION
SOON TURNED TO FINANCE MINISTER MATTHOEFER'S STATEMENT
OF PREVIOUS DAY TO PRESS THAT FRG OUTLAYS FOR 1979
WOULD BE SOMEWHAT LARGER THAN THE SIX PERCENT RATE
OF EXPANSION PROJECTED BY MEDIUM-TERM FINANCIAL PLAN.
FINMIN OFFICIALS EMPHASIZED THAT NEW OUTLAYS MINISTER
HAD IN MIND WERE FOR RESEARCH AND TECHNOLOGY PROJECTS
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IN WHICH HE, AS EX-MINISTER OF RESEARCH AND
TECHNOLOGY, HAD A SPECIAL INTEREST. THEY DID NOT SEE
THESE ADDITIONAL EXPENDITURES AS BEING OF MUCH MACRO-
ECONOMIC SIGNIFICANCE. DIRECTOR EXPRESSED LITTLE
SYMPATHY FOR PUBLIC SECTOR EMPLOYMENT AND INVESTMENT
PROJECTS RECENTLY PROPOSED BY, RESPECTIVELY, IFO
(MUNICH) AND DIW (BERLIN) INSTITUTES. THEY POINTED

OUT INSTITUTES DIFFERED REGARDING DESIRABILITY OF PUBLIC SECTOR SPENDING TO PRIME ECONOMY. A PRIME PREOCCUPATION OF BUDGET SECTION OF FINANCE MINISTRY STRESSED BY THESE OFFICIALS IS FRG'S RAPIDLY RISING DEBT BURDEN.

2. COMMENT: WHILE 1979 BUDGET DECISIONS WILL BE MADE BY POLITICAL AUTHORITIES PARTLY ON BASIS OF POLITICAL CONSIDERATIONS, THE STRONG RESISTANCE OF THE BUDGET SPECIALISTS CAN CONTINUE TO BE A RESTRAINING INFLUENCE.
STOESSEL

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NNN

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Disposition Case Number: n/a
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